

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4160-05
BILL NO.: HCS For HBs 1958, 1224 & 1694
SUBJECT: Education, Elementary and Secondary: Teachers
TYPE: Original
DATE: March 22, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$27,000)	(\$3,750)	(\$3,863)
Gaming Proceeds For Education Fund or Gaming Commission Fund or Lottery Proceeds for Education	(\$0 to \$2,900,000)	(\$0 to \$1,100,000)	(\$0 to \$3,000,000)
Excellence in Education Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$27,000 to \$2,927,000)	(\$3,750 to \$1,103,750)	(\$3,863 to \$3,003,863)
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$0 to \$532,730)	(\$0 to \$2,332,730)	(\$0 to \$532,730)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public School Retirement System and Non-Teacher School Employee Retirement System** assume the legislation would not affect the systems.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Gaming Commission** assume the proposal would result in no fiscal impact to the agency. However, Gaming Commission officials estimated increases in adjusted gross receipts and admission fees from FY 2000 to FY 2001 to be approximately \$1,933,404 and \$5,846,519, respectively.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the State Board of Education could require as many as approximately 10 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$22.50. The estimated cost of a page in the Code of State Regulations is \$26.50. The actual costs could be more or less the SOS's estimated cost of \$602.50 for FY 2001. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn. **Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Budget and Planning** state the proposal would not result in any impact on Total State Revenues or any fiscal impact on the Office of Administration.

Officials from the **Lottery Commission** state the Missouri Lottery FY 2000 profit is \$150 million. The FY 2001 estimated profit is \$154.5 million. Therefore, the Lottery anticipates increased profit of \$4.5 million in FY 2001 over FY 2000.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** estimate the fiscal impact as follows:

Base Estimate of Salary Supplement

The following table shows the impact if implemented in FY 2000.

Baccalaureate			
0-5 yrs	\$21,000	\$ 848,231	(790 FTE)
6-19 yrs	\$24,000	\$1,474,555	(768 FTE)
greater than 19 yrs	\$27,000	\$ 790,317	(414 FTE)

Masters or equivalent

greater than 10 yrs	\$27,000	\$ 281,860	(241 FTE)
greater than 19 yrs	\$30,000	\$ 758,313	(351 FTE)
greater than 29 yrs	\$33,000	\$ 531,215	(158 FTE)

FY 2000 data was used to estimate the impact of these provisions if it were to take effect in FY 2000. This supplement amount would be approximately \$4.7 million. However, the bill is not effective for FY 2000, therefore there is no impact for FY 2000.

FY 2001

FY 2001 salaries will increase statewide approximately 2.5%, thereby reducing the supplement base estimate to approximately \$2.9 million:

- (1) FY 2001 -- \$70.0 million in local effort X 2.5% = \$1.8 million;
\$4.7 million - \$1.8 = \$2.9 million;

Note: the state portion is below 85% of the cost of the total first year cost of the supplement, therefore this will trigger a \$1,000 increase that will take effect for salaries in FY 2003.

FY 2002

FY 2002 salaries will increase statewide approximately 2.5%, thereby reducing the state supplement base estimate to \$1.1 million:

- (1) FY 2002 -- \$71.8 million in local effort X 2.5% = \$1.8 million;
\$2.9 million - \$1.8 million = state cost is reduced to \$1.1 million;

Note: the state portion is below 85% of the cost of the total first year cost of the supplement, therefore this will trigger a \$1,000 increase that will take effect for salaries in FY 2004.

FY 2003

Because the state supplement amount in FY 2001 fell below 85% of the cost of the first year cost of the supplement, salary schedule levels will increase by \$1,000. Additionally, FY 2003 salaries will continue to increase statewide. The net state supplement for FY 2003 is estimated to range from approximately \$2.0 to \$4.0 million. DESE used the midpoint of \$3 million in the fiscal impact.

Career Ladder

The increase in minimum salary requirements does not increase the Career Ladder cost. However, the Career Ladder supplement a teacher may receive cannot be used to meet the minimum salary requirement for that teacher.

General Revenue Fund

A program will need to be written to identify the teachers in each category, the amount of salary supplement required, and the eligibility criteria for receiving the money. Therefore, DESE will incur an IT impact estimated to be \$25,000 in FY 2001, and 15% estimated maintenance costs for FYs 2002 and 2003. Additionally, an 8% project management fee is needed for FY 2001.

Excellence in Education Fund

If the salary supplement is not fully funded then the provision for prorating teacher salary supplements is made. However, for purposes of this fiscal note, 100% funding of the supplement is assumed.

Salary Level Increase Provision

Minimum salary levels are increased by \$1,000 in the second fiscal year following the fiscal year in which the state cost of state funding of minimum salaries is 85% or less than the amount of state funding required for the first year.

Estimate of District Expense for Retirement Match

Districts will be responsible for a 10.5% retirement match. Estimates for these amounts are calculated from the FY 2001 - 2003 estimates for salary supplements generated in the state impact portion of the fiscal note.

FY 2001 \$2,900,000 X 10.5% = \$304,500.

These amounts are also used for FY 2002 and FY 2003; however, as schools increase their salary schedules, the retirement impacts directly attributable to this bill may decline.

ASSUMPTION (continued)

The **Oversight Division** calculated fringe benefits at 18.37% to include retirement, FICA, unemployment and worker's compensation on the salary increases:

$$\$2,900,000 \times .1837 = \$532,730 \text{ Fringe Benefits}$$

The proposal states that the salary supplements would be funded from "increases in state revenues from taxation of riverboat gaming operations, including boarding fees and lottery proceeds, compared to the amount of these revenues appropriated in fiscal year 2000." Section 313.822, RSMo., directs the adjusted gross receipts tax from gambling games to the Gaming Proceeds for Education Fund. Section 313.835, RSMo., directs gambling boat admission fees to the Gaming Commission Fund. Article III, Section 39(b), of the Constitution of Missouri directs lottery net proceeds after payment of prizes and administrative expenses to the Lottery Proceeds Fund for elementary, secondary and higher education. Gaming Commission Fund net proceeds are earmarked under current law. However, for purposes of this fiscal note, the **Oversight Division** assumes the salary supplement funding would be transferred from either the Gaming Proceeds for Education Fund, the Gaming Commission Fund or the Lottery Proceeds for Education Fund to the Excellence in Education Fund, which is the fund required to pay salary supplements per Section 163.172.7 of the proposal. Oversight has ranged DESE's estimated costs from zero, since the funding would depend on increases from FY 2000.

The **Oversight Division** also assumes the FY 2002 reduction in state costs of \$1.8 million for minimum salaries would be an increase in costs to local school districts, since school districts would be paying raises on a higher base salary.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost-Department of Elementary and
 Secondary Education (DESE)

Programming	<u>(\$27,000)</u>	<u>(\$3,750)</u>	<u>(\$3,863)</u>
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**GAMING PROCEEDS FOR
 EDUCATION FUND OR GAMING
 COMMISSION FUND OR LOTTERY
 PROCEEDS FOR EDUCATION
 FUND**

Cost-Gaming Proceeds for Education
 Fund or Gaming Commission Fund or
 Lottery Proceeds for Education Fund

Transfer to Excellence in Education Fund	(\$0 to <u>\$2,900,000</u>)	(\$0 to <u>\$1,100,000</u>)	(\$0 to <u>\$3,000,000</u>)
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**EXCELLENCE IN EDUCATION
 FUND**

Income-Department of Elementary and
 Secondary Education (DESE)

Transfer from Gaming Proceeds for Education Fund or Gaming Commission Fund or Lottery Proceeds for Education Fund	\$0 to \$2,900,000	\$0 to \$1,100,000	\$0 to \$3,000,000
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Cost-Department of Elementary and
 Secondary Education (DESE)

Salary Supplements to School Districts	(\$0 to \$2,900,000)	(\$0 to \$1,100,000)	(\$0 to \$3,000,000)
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**ESTIMATED NET EFFECT ON
 EXCELLENCE IN EDUCATION
 FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			
SCHOOL DISTRICTS			
<u>Income-School Districts</u>			
Salary Supplements	\$0 to \$2,900,000	\$0 to \$1,100,000	\$0 to \$3,000,000
<u>Cost-School Districts</u>			
Salaries	(\$0 to \$2,900,000)	(\$0 to \$2,900,000)	(\$0 to \$3,000,000)
Fringe Benefits	(\$0 to \$532,730)	(\$0 to \$532,730)	(\$0 to \$532,730)
Total <u>Cost-School Districts</u>	(\$0 to \$3,432,730)	(\$0 to \$3,432,730)	(\$0 to \$3,532,730)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	(\$0 to \$532,730)	(\$0 to \$2,332,730)	(\$0 to \$532,730)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The Commissioner of Education would present to the General Assembly a history of the cost to the state for teachers' minimum salary.

Beginning with the 2000-2001 school year, the minimum salary for a full-time teacher would be \$21,000, for a full-time teacher with at least five years experience would be \$24,000, for a full-time teacher with nineteen years experience or a full-time teacher with a master's degree and ten years experience would be \$27,000, for a full-time teacher with a master's degree and at least nineteen years experience would be \$33,000, and the minimum salary for a full-time teacher with a master's degree and at least twenty-nine years experience would be \$33,000.

State minimum salary supplements paid to school districts from the Excellence in Education Fund would be funded from increases in state revenues from taxation of riverboat gaming operations, including boarding fees and lottery proceeds, compared to these revenues appropriated in FY 2000.

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DESCRIPTION (Continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Gaming Commission
Lottery Commission
Office of Administration - Budget and Planning
Secretary of State's Office
Public School Retirement System
Non-Teacher School Employee Retirement System
Joint Committee on Public Employee Retirement



Jeanne Jarrett, CPA
Director
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